

COOPERATIVE HOUSING IN CANADA

IN RELATION TO

FEDERAL/PROVINCIAL LEGISLATION AND JURISDICTION

by

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Cooperative housing can be understood and discussed only in relation to housing in general, and especially with regard to areas of greatest need in housing, since cooperatives of all types traditionally seek to satisfy needs in the lives of people and close gaps of various kinds in the economic and social order. So, we can well spend a short while looking at the general housing picture in Canada, about which so much is spoken and written nowadays, often in such terms as "problems" and "crisis".

While there are serious problems and even a crisis in some places, it is safe to say that the majority of Canadians are well housed, and indeed among the best housed people in the world. Especially in the past 20 years, great strides have been made towards the avowed aim of "Good Housing for Canadians". From whatever viewpoint we examine housing in this country, we find that progress has been made within our lifetime, and in recent years the improvement in some respects has been remarkable.

Probably the most important change of all has taken place in only the last ten years: that is, in the acceptance of housing as a social matter and its provision for all as a public responsibility. In 1968 a national conference on housing was held under the sponsorship of the Canadian

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Welfare Council, with the theme: THE RIGHT TO HOUSING. We could hardly imagine a conference with such a slogan ten years earlier. Speaking in the House of Commons recently (March 15), the Minister of State for Urban Affairs said: "Good housing at reasonable cost is a social right of every citizen of this country." Until recent years there was no urban ministry in the Federal Government, and if there were the minister would not likely be heard making such a statement. In short, housing has taken on the characteristics, and consequently the problems, of a social responsibility very similar to those which attach to education and health services.

Consequently, we must now look especially at the have-not side, the people who do not enjoy good and decent housing. How large is their proportion in the total population? This is a question on which it is difficult to provide reliable data and on which most of the answers will be largely subjective anyway. I have a set of figures in my mind, a sort of horseback estimate, that about 65% of Canadians have good housing which they can pay for without too much trouble, that 25 to 30% are having trouble either getting decent housing or paying for what they have, and that perhaps 5 to 10% are in serious difficulty, some living under substandard conditions that should be regarded as intolerable.

Some years ago, an estimate was given by one of the chartered banks which seems to parallel these figures. The Bank of Nova Scotia in its Monthly Review of February 1959 stated: "At least a third of Canadian families are below the income level needed to buy a new house, and probably half a million of them are living in housing conditions which may fairly be described as poor..."

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Figures of this kind are reliable in only a rough way. It is well to note that housing conditions sometimes defy traditional economics. Industrial growth and prosperity usually intensify housing problems, and some of the worst housing may be quite near the symbols of wealth and affluence. A dollar buys approximately the same amount of food in most parts of Canada, except the far North, but an income of \$5,000 a year may buy housing in one place that \$10,000 or even \$15,000 a year will not buy in another. As a rule, the poor pay far too high a proportion of their income for shelter, sometimes as high as 50% or even more if they are not in public housing, in comparison to 25 to 30% for other Canadians. Moreover, we are inclined to think of housing conditions in terms of urbanization and cities, losing sight of the fact that a large, though diminishing, percentage of Canadians still live in small places. Some of the worst housing in Canada, as well as some of the best, is rural.

An ever-present fact in the housing picture in this country is the divided jurisdiction among municipal, provincial and federal authorities. Indeed, this is frequently the biggest stumbling block or bone of contention in housing, often generating tons of paper and miles of red tape that slow down action and production of housing. As one writer sees it: "...the Federal Government has the money but not the power, and constitutionally not the problem; the provincial governments have the power but not the necessary money; and the municipalities face the housing problems but they have neither the money nor the power." ^{1/}

^{1/} Dr. Adepoju Onibokun. "Housing for Low-Income Groups". Community Planning Review, Spring 1972.

Canada has stepped up the building of new housing very noticeably in the last 20 years, from about 83,000 units started in 1952, to 130,000 in 1962, to 250,000 in 1972. How this new housing is distributed in relation to income among the population is our most serious question.

An important matter in relation to both social responsibility and cooperative housing is the place of public housing and other forms of assisted housing for low-income groups in the whole national programme. The great bulk of this housing (about 245,000 units since the end of World War II) has been built since 1965, and well over half of it since 1969. Over 40% of it is in Ontario, where the provincial government agency, Ontario Housing Corporation, has become one of the largest landlords in North America.

Another fact of considerable interest to us here is the recent comeback of the single-family house in Canada. The number of such houses built annually began to decline slowly about 1960, but in the last two years rose sharply from about 71,000 in 1970 to 98,000 in 1971 and 115,000 in 1972.

This is the overall housing situation within which cooperative housing is developing in Canada.

The Cooperative Idea in Housing

Cooperative housing is not yet an important sector of Canadian housing, nor is it a large part of the cooperative movement in this country; and while it is at the beginning of its development and not yet firmly set in its ways, I should like to see us take a broad rather

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than a narrow view of what should be included under the general heading "cooperative housing". I believe there is danger in narrowing down our concepts so that we take a doctrinaire view of what is or is not cooperative in housing. People acting cooperatively can choose among many routes to reach the objective of having a home or a good place to live. Moreover, the circumstances of construction, land and design, as well as the aspirations and ability to pay among Canadians, vary so greatly from place to place in this vast country that we must imagine groups of people going about cooperative housing in not just one way, or even two or three, but rather a variety of ways.

For example, they may get together in small groups to construct individual houses as inexpensively as possible; or they may purchase an existing apartment building to be owned and occupied cooperatively; or they may organize to have some form of multiple housing built for them; or they may buy existing housing to be rehabilitated and renovated according to their needs; or they may arrange cooperatively with a contractor to build shell housing to be completed with "sweat equity" and owned individually; or they may buy or lease land cooperatively for homes that they will own individually; or they may develop a cooperative park area for mobile homes; or as senior citizens they may organize for some kind of cooperative retirement community. All of these have either been done or are under serious study by groups of people in different parts of Canada. And these examples do not exhaust the list of possibilities and alternatives in this field.

I should not like to see the cooperative idea in housing hedged in by constraints of one kind or another, for example, as to range of incomes of the members.

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Cooperative housing is not just for the poor, nor for middle-income people only, but rather for all people who prefer the cooperative way and wish to get together to secure the benefits of cooperative action. Surely the experience with other types of cooperative organizations in the past, consumers' co-ops and credit unions for example, show that there is never just one way to go about doing this thing while still retaining the essential elements of Cooperation. This leads me to suggest some very general definition such as this: Cooperative housing is any form of organization and action in which groups of people, small or large, undertake cooperatively to provide or obtain housing for themselves.

The Application of Cooperative Principles

Similarly, in cooperative housing we must avoid too rigid an interpretation of traditional cooperative principles. It is obviously impossible to apply the Rochdale maxim of "open membership" as you would in a consumers' co-op, just as we know it is sometimes difficult to apply it strictly in an agricultural marketing cooperative. The Rochdale rule says "limited interest on members' capital", but in a housing cooperative it makes better sense to say "no interest on members' capital". And the distribution of annual dividends is very important in a conventional cooperative for goods and supplies, but almost meaningless or unnecessary in a housing cooperative.

Rochdale principles, devised primarily for consumers' cooperatives, are more difficult to apply in the strict letter of the law to housing than perhaps any other area or activity. There is even the suggestion now from one housing cooperative in Canada that the unalterable cooperative

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principle of "one member, one vote" be changed to state "two votes for each housing unit" to ensure that husband and wife will each have one vote in meetings, but you can easily imagine the complications this might lead to, especially if the young people in the cooperative community insist that they, as well as their parents, want to have a hand in making decisions and running affairs.

This might seem to say that the principles which have set cooperatives apart as a distinctive economic and social movement must be thrown out for cooperative housing. Not at all. Far from abrogating traditional cooperative concepts, cooperative housing, especially of the strictly non-profit type, provides almost unlimited scope to apply these ideals in a most meaningful and convincing way. Instead of thinking of cooperative principles in terms of narrow limitations, we must rather seek to implement them by flexible interpretation of certain universal ideals, such as democracy, equity, voluntary action, economy and non-exploitive association, which are the very underpinning of Cooperation, both as a social movement and as business enterprise. If there are some who think certain aspects of cooperative housing are not strictly orthodox, they might recall the words of Charles Gide: "Every doctrine evolves, even in the hands of those who would piously appoint themselves its guardians."

Cooperative Housing in Canada

Although cooperatives have appeared in the field of housing in a number of different forms, as mentioned earlier, there are two particular types that are well established.

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(a) Building Cooperatives. The first is the building cooperative, in which a small group, usually not over 12 or 15 families, get together to build single houses for individual ownership. This type had its beginning in Nova Scotia about 35 years ago and is still an important part of the housing programme in that province. It produced quite a few homes in several other provinces, mainly Quebec, Newfoundland, Ontario and PEI; but though it showed considerable promise in the 1950's, especially in Ontario, this self-help programme, depending essentially on a large "sweat equity" input by members, began to lose its appeal in the 1960's.

It is estimated that about 10,000 homes have been built in Canada through building cooperatives. This is certainly not an easy way to get a home but it is perhaps the least expensive, with the smallest amount of mortgage financing. The value of this kind of cooperative for building single homes is generally appreciated and it fits in well with traditions of self-reliance and hard work to secure a home of one's own. The strange thing is that it has not been taken up more widely across Canada in the smaller centres, where neighbourhood groups are still active and community effort generally comes more easily than in cities.

Beginning about 20 years ago, federal government funds at a preferential interest rate were made available by CMHC to the Nova Scotia Housing Commission to cover 75% of the mortgage commitments for building cooperatives, and this arrangement is now in effect in five provinces: Nova Scotia, New Brunswick, Prince Edward Island, Manitoba and Saskatchewan, in the last two applying only to northern parts or housing for native peoples.

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(b) Housing Cooperatives. But while everyone seems to know about the self-help type of cooperative for building single homes, and regards it with some admiration, the continuing cooperative for collective ownership of multiple housing is not generally understood in this country and is given official support only reluctantly. It may be said that this type of cooperative has yet to prove itself — and there is some truth in this, because the very concept and a concrete example of it are only about ten years old in Canada.

Our prototype for this kind of cooperative was Willow Park in Winnipeg. The first phase was completed in 1965, with 200 units of townhouses; and two more phases were added in the past three years, until now it is a distinctive cooperative community of about 1,000 persons, with recreation centre, day-care centre, shopping facilities, senior citizens units and various neighbourhood amenities. The fourth phase, now being planned, is for 106 additional units.

There are now cooperatives of this type, but with important variations, in all provinces west of the Atlantic region. It gives great promise to be the principal cooperative answer to the critical problems of housing in fast-growing urban centres, especially the metropolitan areas, which are absorbing an ever-increasing proportion of the Canadian population. The point to be made here, I think, is that these two types of cooperative housing, one for the construction of single houses and the other for group ownership of multiple housing, are so different as to be almost totally unrelated, except that each carries the label "cooperative" and each is cooperative, though in a different way. Since the former is considerably

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older and well known while the other is not, much of the remainder of this paper will deal with the latter, the housing cooperative.

The Non-Profit Concept Applied to Housing

We hear much nowadays about non-profit housing, and current legislation is making new provisions for non-profit corporations as one aspect of social housing to take care of people in the lower income range. This is an area in which there is considerable overlapping with cooperatives, since in many minds "cooperative" carries the same connotation as "non-profit". But this is not strictly correct, because cooperatives are not necessarily non-profit, as anyone in a building cooperative realizes when he puts his house up for sale if he has to move.

To achieve a thoroughly non-profit nature in an economic system whose mainspring is profit and in a social order which is finely tuned to profit, is not at all easy. Furthermore, in the main, government in Canada has been responsive to capitalist orthodoxy and sensitive at the points where the traditional power structure in business sets down the fulcrum of its herculean leverage. Hence it is not surprising that Canadians have come to regard housing as just another industry, an industry into which it is difficult to inject non-profit concepts. A place to live becomes an investment as well as shelter. We cling to the idea of profit in housing as to a religious conviction. Witness to what extent one provincial government (Ontario) has gone to encourage and bankroll condominiums while passing over cooperatives, and the reluctance of almost all governments to create landbanks and keep them in the public domain instead of selling them off.

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The difficulty of achieving what is really non-profit in housing is seen in the fact that much of what is officially called non-profit may be actually quite profitable for someone somewhere along the line: in the price of land, in construction costs, in architectural or legal fees — profitable for many except those who live in the project and have to pay the monthly charges, and the taxpayers if it is a public housing project. A cynic might be inclined to observe that one way to get into big money is to get into non-profit housing.

For purpose of our subject the situation is confused because some cooperatives are strictly non-profit, while others are not. This applies to housing cooperatives as well as building cooperatives, as will be shown later; and one of the most important points in legislation to be discussed here is provision for those housing cooperatives that choose to be strictly non-profit.

Housing Cooperatives

Because they are something new in Canada, housing cooperatives need to be explained especially from two viewpoints: their essential features, and the difficulties they are liable to encounter.

(a) Essential Features

1) Most of them, though not all, have made provision to ensure their non-profit character. Some may provide for payout of equity in "constant dollars", while disallowing sale at market price. Non-profit housing cooperatives have many points of similarity with REA co-ops in the USA. They operate essentially as housing for use, rather than use plus investment.

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2) Housing cooperatives built under the NHA since 1970 have aimed at a broad mix rather than a narrow band of incomes. They thus try to avoid the segregation of families in stratified income groupings.

3) They differ from ordinary rental accommodation in that the capital costs of a project are frozen or stabilized, and monthly charges increase only because of higher operating costs, mainly taxes.

4) These cooperatives aim to be not just shelter or so much physical housing but rather a community of people with common interests, sharing certain conveniences, supporting services and amenities that not only save money for the members but help as well to create a good and pleasing neighbourhood.

5) Since their primary aim is providing housing rather than making profit or building up a future capital gain, the non-profit cooperatives are willing to build on land under leasehold from the municipality or public authority, and thus they do not add fuel to the flames of housing inflation, which has got completely out of hand in some parts of Canada, especially the large metropolitan areas.

(b) Problems and Difficulties

Like any programme which is innovative and still in the experimental stage, housing cooperatives have problems and difficulties to overcome:

1) The very concept is new and not yet widely accepted. The cooperative form of housing has proved itself in many parts of Europe, but only in a limited way here. In Warsaw, for example, we hear that as much

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as 75% of new housing is cooperative. But cooperative housing is not alone in this respect in Canada: public housing is rejected by many Canadians, and condominiums are not going well in some parts.

2) Other kinds of cooperatives in Canada have generally developed without much government or public support, but housing by its very nature requires a great deal of official collaboration at all levels, municipal, provincial and federal.

3) It is taking a long time to secure legislation appropriate for cooperative housing, and to get the agreement of public authorities in cooperative projects.

4) Because of the time lag between initial planning for a project and actual occupancy, usually at least two years, formation of the first membership is difficult, and establishing a proper relationship between the developing group (the mother society) and the resident group (the daughter society) may not be easy.

5) There needs to be a special kind of delivery system for housing cooperatives, with knowhow and expertise in housing, and resources for organizing local groups and putting projects in place. Four or five provinces have made a good start on forming a viable provincial setup.

6) It can be assumed there will always be financial problems to overcome. Interim financing during the two or more years of planning and construction can be critical. Unlike many other cooperatives, a housing cooperative must start from a fairly large size and cannot grow by small pieces gradually, as for example a credit union grows.

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7) Securing land is a problem that will be with us for as far as we can see into the future, and until Canadians decide to opt for more enlightened policies of urban land use.

Legal and Legislative Questions

At this meeting the largest area of concern and discussion is around legal and legislative questions and the provisions that affect cooperative housing in various provincial statutes, especially Acts governing cooperative associations. Some of the more important matters that need to be studied are these:

1) Reconciling or synchronizing provincial cooperative Acts with the National Housing Act. Regulations under the NHA require that a cooperative applying to CMHC for a loan be incorporated under provincial legislation. But provincial Acts, though essentially similar, are not identical on several points.

2) The nature of tenure in a housing cooperative: how it differs from homeownership and from leasing. Members of a housing cooperative holding accommodation under the usual form of agreement are actually leasing from a corporation which they themselves own and control.

3) This raises the question of the application of provincial landlord-tenant legislation to such cooperatives.

4) How to ensure in provincial legislation the non-profit character of cooperatives that wish to qualify as non-profit corporations under the NHA, especially the question of disposal of residual assets on dissolution. Some Acts have special provisions for these assets, while others do not.

5) The distinction between cooperatives of member-residents and cooperatives acting as sponsors of housing in which the residents may or may not be members.

6) The membership status of residents in housing cooperatives receiving public housing subsidies, and their selection. Cooperative spokesmen generally would prefer them to be members of the cooperative indistinguishable from other members, rather than identified as public housing clients in rental accommodation.

7) Bylaws appropriate for housing cooperatives and the possibility of uniformity in these bylaws from province to province.

8) The process of membership formation in a housing cooperative; the transfer of authority and responsibility from the mother to the daughter society.

9) The status of mother societies, whether or not they are cooperatives under provincial legislation.

Public Subsidies in Cooperatives

The term "public subsidies" is used here to distinguish them from the internal subsidies generated under a system in which members of high income pay graduated surcharges to assist members at the other end of the income scale. This is a feature of considerable significance which is now operating in several cooperatives in Canada. It offers great promise for the creation of communities of mixed incomes.

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There are two provinces, Nova Scotia and British Columbia, with cooperatives in which members are receiving the benefit of government subsidies geared to income. In both they are on a small scale and may be said to be on an experimental basis, but such subsidies may become quite important in the future, with government paying subsidies to cooperatives in behalf of low-income members instead of building public housing projects for them.

In Nova Scotia, the arrangement in building cooperatives was first tried with 100 homes in 1971, then another 100 approved in 1972. This is a Federal/Provincial agreement on a 75/25 basis, with the subsidy absorbing the monthly charges in excess of 25% of income. The results so far indicate that the experiment is highly successful and the Province has applied for a further and larger extension.

The experiment in BC is in a housing cooperative of 110 homes, in which ten of the members are receiving subsidies on the F/P formula of 75/25. It is especially important that members of cooperatives in BC are eligible for the provincial government homeowner grants.

Here it is suggested that perhaps the ideal arrangement from the viewpoint of cooperatives would be to have housing supplements paid directly to all persons in need according to some universal formula, which people could employ how and where they wish for housing, including membership and monthly charges in a cooperative. In Sweden slightly over half of all citizens receive a form of shelter allowance.

The question of subsidy in the form of interest rebate is also an interesting topic, but too long and involved to discuss here.

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Amendments to the NHA

On January 30 the Minister of State for Urban Affairs introduced Bill C-133 in the House of Commons, providing among other things for important and far-reaching amendments to the National Housing Act in respect of cooperative housing. The stated purpose of the changes was not merely to provide for but also "to encourage the development of cooperative housing." ^{2/} There is good basis for the hope that the amendments will mark the beginning of a new era for cooperative housing in this country. At the time of writing (April 10) the amendments were at committee stage following presentation for second reading.

Briefly, these are the features and provisions of these amendments as they apply to cooperatives:

- 1) They make appropriate distinction between the building (construction) cooperative and the continuing housing cooperative, and provide for each type.
- 2) Cooperatives will now be eligible for loans on existing housing, for both purchase and rehabilitation. This is especially important in terms of housing for low-income families, since we can assume that the majority of those in need will, for a long time, be living in housing already in existence rather than new housing.
- 3) Members of building cooperatives will be able to borrow under the terms of "assisted homeownership" (AHO) under the NHA.

^{2/} from the Minister's Explanatory Notes introducing Bill C-133, page 6.

4) A continuing housing cooperative will also be able to borrow under the terms of AHO; or if it qualifies as a non-profit corporation, it may borrow under the terms and conditions of Section 15 of the NHA, which includes, among other things, 100% loans.

5) Family assistance and start-up funds provided for in the Bill will be available to cooperatives.

6) A section of the NHA is set out to provide for cooperatives, without excluding them from other pertinent sections of the Act.

It should be noted here that in the last 20 years practically all cooperative housing in Canada outside Quebec has been financed under the National Housing Act; and only one cooperative project has been financed by an NHA "approved lender" — in other words, all but one obtained a direct mortgage loan from CMHC.

Credit Unions in Housing

Of considerable interest to the members of NAACL, since your responsibilities have to do with legislation for credit unions (including, of course, caisses populaires and caisses d'économie), is their involvement in housing in general and cooperative housing in particular. In addition to the regular lending year in, year out to credit union members for purchasing homes and for home improvements, running into many millions of dollars annually, in some provinces the relationship between housing and credit unions has become quite strong, especially in the past two years.

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At the present time, five of the provincial centrals of credit unions or caisses populaires, either directly or through subsidiary mortgage companies, are approved lenders under the National Housing Act and thereby have the protection of mortgage insurance in loans for housing. In addition, eight large credit unions in Canada are individually approved lenders; and six other cooperative organizations (insurance, trust, etc.) have this status, while one organization, the CS Co-op, Ottawa, is an approved lender for home improvement loans under the NHA. Cooperative Trust Company of Canada, in which many credit unions share ownership, is an important mortgage lender in the four western provinces.

In some places the participation of credit unions or their centrals has been essential in establishing a cooperative housing project. The Cooperative Credit Society of Manitoba carried the interim financing for Willow Park, and a similar arrangement with provincial centrals was made for a number of projects elsewhere. At Abbotsford, BC, it was the local credit union which purchased the land and provided much of the initiative for a successful housing cooperative. At present, British Columbia provides perhaps the best model for close collaboration between the credit union movement and cooperative housing.

One of the most effective ways in which credit unions can help to promote a vigorous programme of cooperative housing is to use surplus or reserve funds to purchase suitable land for residential development and hold it for cooperative projects. I wonder what would be the reaction of the members of NAACL to the suggestion that provincial legislation should be amended where necessary to provide that up to 50% of credit union reserve funds might be used in this way.

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Conclusion

The way Canadians house themselves has evolved over the years and has changed greatly, especially in the past few decades under the pressure of rapid urbanization. To emphasize this we need only recall that once upon a time there was virtually only one accepted way to have shelter, by owning a home; that in days gone by a mortgage was a badge of financial failure; that those who rented accommodation instead of owning a home were second-class citizens and not so long ago public housing was anathema. But all that is changing, even though some of the traditional ideas will remain for a long time.

What we need in order to achieve good housing for all Canadians is a wide range of alternatives and choices: single homes, apartments, rental accommodation, condominiums, public housing, mobile homes, etc; and cooperatives of one form or another should also be alternatives in a total national programme. A strong cooperative sector in housing can be a valuable part of the whole.

Cooperative housing is at the beginning of its development, as credit unions were about 30 years ago, and it will grow to become an important thing in Canadian society as it fills gaps and responds to the needs and aspirations of people. As each province or housing jurisdiction undertakes to support and develop cooperative housing, new ways of approaching and applying cooperative concepts will emerge and thus a distinctive cooperative sector will gradually take shape, oriented primarily to people as consumers and to the building of good community life throughout the nation.